Supreme Court, U. S.
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DEC 20 1978
MICHAEL RODAK, JR., CLERK

IN THE

SUPREME COURT of the UNITED STATES

OCTOBER TERM, 1978

Case No. ...78-1004

DAVID L. HEILMAN and E-C TAPE SERVICE, INC., a Wisconsin Corporation,

Petitioners,

vs.

GRIFFIN B. BELL, Attorney General of the United States of America, his agents, servants, employees, attorneys, successors and all those persons in active concert or participation with them.

Respondents.

Appendix to Petition for Writ of Certiorari

RICHARD L. CATES
BRUCE F. EHLKE

LAWTON & CATES
110 East Main Street
Madison, Wisconsin 53703
Attorneys for Petitioners

GUILD PRINTING MADISON WIS

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101

IN THE UNITED STATES DISTRICT COURT

FOR THE EASTERN DISTRICT OF WISCONSIN

DAVID L. HEILMAN and
E-C TAPE SERVICE, INC.,
a Wisconsin corporation,

Plaintiffs,

vs.

EDWARD H. LEVI, Attorney General of the United States of America, his agents, servants, employes, attorneys, successors and all those persons in active concert or participation with them,

Defendants.

COMPLAINT 75-C-117

Civil Action File No.:

[Equitable Relief Sought]

The plaintiffs DAVID L. HEILMAN and E-C TAPE SERVICE, INC. by their attorneys SAMSON, FRIEBERT, FINERTY & BURNS by ROBERT H. FRIEBERT allege and show to the Court as follows:

1. This action is brought for declaratory and injunctive relief for a threatened prosecution of the plaintiffs for alleged violations of 17 U.S.C. §101(e) and §104 which threatened prosecution violates rights guaranteed to the plaintiffs by the First, Fourth and Fifth Amendments to the United States Constitution. The amount in controversy exceeds the sum of $10,000 exclusive of interest and costs.

2. Jurisdiction is founded upon 28 U.S.C. §§1331, 2201 and 2282.

3. The plaintiff DAVID L. HEILMAN resides in the Eastern District of Wisconsin and is the President of the plaintiff corporation E-C TAPE SERVICE, INC.

4. The plaintiff E-C TAPE SERVICE, INC. is a cor-

poration duly organized and existing under and by virtue of the laws of the State of Wisconsin with its principal place of business with respect to the matters involved in this case at Lake Villa, Illinois and is in the business of, among other things, manufacturing and selling phonograph records and magnetic tapes throughout the United States and in foreign countries. Its corporate headquarters and other business is conducted at 3695 North 126th Street, Brookfield, Wisconsin in the Eastern District of Wisconsin.

5. The defendant EDWARD H. LEVI is the Attorney General of the United States of America whose principal place of business is in the District of Columbia. This suit is brought against the Attorney General in his official capacity and his agents, servants, employes, attorneys, successors and all those persons in active concert or participation with them are made defendants herein.

6. The plaintiffs are engaged in the business of making and selling sound recordings in the form of records and tapes. The plaintiffs have purchased records and tapes on the open market which contain recordings which have been "fixed" prior to February 15, 1972 and which have been manufactured and sold through usual commercial channels by record companies. The plaintiffs then make compilation records and tapes from these sound recordings by grouping individual sides or cuts by classification and year, manufacture additional copies of their compilation and market and sell the compilations after affixing to each a label which contains the titles of the original sound recordings and the names of the recording artists whose performances have been copied. In accordance with the provisions of Public Law 92-140 (a

copy of which is attached hereto as Exhibit "A"), plaintiffs affix to the aforesaid compilations, in either tape or record form, the [P] copyright notice and register said compilation with the United States Copyright Office.

7. With respect to each and every song so used, plaintiffs have paid or tendered to the publisher the full statutory royalty to which it is entitled under the copyright law. 17 U.S.C. §1(e). (Copies of 17 U.S.C. §1(e), §101(e) and §104 are attached hereto as Exhibit "B"). Certain of the publishing companies (27 in number) have accepted said payments, while others (127) have refused to accept said payments. At all times, the plaintiffs have made all reasonable efforts to fully comply with all applicable provisions of the copyright law of the United States.

8. Prior to 1909 composers did not have any copyright interests in mechanical reproductions (records) of their songs. White-Smith Music Publishing Company v. Apollo Company, 209 U.S. 1 (1908). 43 Cong. Rec. 3765-3767 (March 3, 1909).

9. By Public Law 349, Chapter 320, 35 Stat. 1075, Act of March 4, 1909, as codified at 17 U.S.C. §1(e), Congress granted to the composer of songs a copyright interest in records. Congress conditioned that copyright grant with a proviso known as the compulsory license law whereby the composer must yield up his copyright interest upon receipt of a royalty of two cents per record which can be tendered to him by any manufacturer after the initial use of the song. 17 U.S.C. §1(e).

10. From 1909 until sometime in late 1974 or early 1975, it had been the position of the Department of Justice

of the United States of America as well as all other interested federal agencies that this statutory provision authorized duplicators of records such as the plaintiffs herein to pay the statutory royalty of two cents per record and thereby to obtain the right to duplicate compositions of composers which had been made into records. Prior to the enactment of Public Law 92-140 on October 15, 1971, composers could only resort to civil remedies for the collection of their two cents compulsory license royalty.

11. Public Law 92-140 at §2 created criminal sanctions for the first time for failure to remit the compulsory license royalty of two cents per record. 17 U.S.C. §101(e).

12. Throughout the proceedings which led to the enactment of §2 of Public Law 92-140, it was conceded by everybody that record duplicators such as the plaintiffs herein, could duplicate recordings upon payment of the two cents per record compulsory license royalty fee to the composers. Criminal sanctions were deemed necessary because many duplicators, other than the plaintiffs herein, did not remit the two cents and, therefore, civil sanctions were inadequate to meet the situation.

13. On June 29, 1971, the Department of Justice of the United States of America in a letter to the Chairman of the Judiciary Committee of the House of Representatives, the Honorable Emanuel Celler, stated the following with respect to this proposed bill:

> "However, since the bill provides that the amendment to 17 U.S.C. §101(e) will take effect immediately upon enactment, criminal sanctions would seem to be available to prevent further piracy of existing recordings where copyrighted music was used and the pirate does not pay the statutory royalty to the holder of the musical copyright."

14. The defendant through his agent, servant and employe, John Murphy, Chief of the Regulations Section of the Justice Department, publicly repudiated the prior position of the government as presented to Congress and announced that it is now the position of the Justice Department that persons such as the plaintiffs herein who duplicate sound recordings fixed prior to February 15, 1972 will be prosecuted pursuant to 17 U.S.C. §101(e) even though they pay or tender the two cents compulsory license fees to composers. This public announcement and threatened prosecution is contained in an issue of Billboard magazine dated March 8, 1975. A copy of the article is attached hereto as Exhibit "C".

15. The defendant by John Murphy also announced that property will be seized by the Federal Bureau of Investigation such as the property owned by the plaintiff corporation herein.

16. As a result of these threats of seizure and prosecution, the plaintiffs herein have ceased doing business as described above and now seek a declaration of the meaning of 17 U.S.C. §1(e), §101(e) and §104 and seek a declaration that the copyright laws do not prohibit the activities of the plaintiffs as described in any respect with respect to duplicating sound recordings fixed prior to February 15, 1972.

17. The proposed seizure of sound recordings and tapes as threatened by the defendant violates rights guaranteed to these plaintiffs by the First, Fourth and Fifth Amendments to the United States Constitution as a prior restraint on the freedom of speech as well as threats of illegal searches and seizures upon assertions that the products of the plaintiff corporation are contraband when Congress

has not declared the possession of such items to be illegal or the items themselves to be contraband.

18. The threatened prosecution of the plaintiffs by the defendant upon a recently changed interpretation by the Justice Department of laws which had received a different interpretation within all concerned branches of the government from 1909 until 1975, constitutes a denial to the plaintiffs of their right to due process of law in violation of the Fifth Amendment to the United States Constitution because the statutes involved, if subject to such wide variance in interpretations and meaning within the government is necessarily void for vagueness because men of reasonable ability, intelligence and experience must guess as to the meaning and application of said statutes. Furthermore, the plaintiffs are being denied notice with respect to what conduct of theirs is proper and what conduct is improper.

WHEREFORE, your plaintiffs pray for the following:

1. For a declaration of the rights, privileges and immunities of the plaintiffs, declaring that 17 U.S.C. §1(e), §101(e) and §104 are inapplicable to duplicators of songs fixed prior to February 15, 1972 who tender the two cents compulsory license fee or those sections are inapplicable to the duplicators of songs fixed prior to February 15, 1972 because such duplications do not constitute a use of the composers' copyright or the copyright interests of anyone else.

2. For a declaration that any interpretation which makes the plaintiffs criminally liable for duplicating sound recordings of songs fixed prior to February 15, 1972 upon tendering the two cents compulsory license royalty to composers would render the statutes involved unconstitutional.

3. For interlocutory and permanent injunctive relief enjoining the defendant and his agents, servants, employes, attorneys, successors and all those persons in active concert or participation with them from seizing records and tapes and other property owned by the plaintiffs in conjunction with their business activities involving recording and duplicating records and tapes and enjoining them from prosecuting the plaintiffs for alleged violations of 17 U.S.C. §101(e) or §104 when the plaintiffs have duplicated sound recordings of songs fixed prior to February 15, 1972 upon tendering the two cents compulsory license royalty fee to composers.

4. For such other further legal and equitable relief.

5. For costs and disbursements.

SAMSON, FRIEBERT, FINERTY & BURNS
By ROBERT H. FRIEBERT
Attorneys for Plaintiffs

P.O. ADDRESS:

710 North Plankinton Avenue
Milwaukee, Wisconsin 53203
(414) 271-0130

UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF WISCONSIN

DAVID L. HEILMAN and E-C TAPE SERVICE, INC., a Wisconsin corporation, Plaintiffs, vs. EDWARD H. LEVI, Attorney General of the United States of America, his agents, servants, employes, attorneys, successors and all those persons in active concert or participation with them, Defendants.	Case No. 75-C-117 ANSWER

Now Comes Edward H. Levi, Attorney General of the United States of America, defendant above named, by his attorneys William J. Mulligan, United States Attorney for the Eastern District of Wisconsin by Joseph P. Stadtmueller, First Assistant United States Attorney for said District, and as and for his answer to plaintiff's complaint admits and denies as follows:

1. Defendants admit the allegations contained in paragraphs 3, 4, 5, 6, 8, 13 and 15 of the complaint.

2. Defendants deny each and every other allegation of the complaint and puts the plaintiffs to their proof thereon .

WHEREFORE, defendant demands judgment dismissing plaintiff's complaint together with the costs and disbursements in this action.

Dated at Milwaukee, Wisconsin this 6th day of May, 1975.

RECEIVED
MAY - 7 1975
HAMBON, FRICKERT, FINERTY & BURNS
ATTORNEYS AT LAW

WILLIAM J. MULLIGAN
United States Attorney

/s/ Joseph P. Stadtmueller
JOSEPH P. STADTMUELLER
First Assistant United States Attorney

IN THE UNITED STATES DISTRICT COURT

FOR THE EASTERN DISTRICT OF WISCONSIN

* *

DAVID L. HEILMAN and
L-C TAPE SERVICE, INC.,
a Wisconsin corporation,

Plaintiffs,

vs. Case No. 75-C-117

EDWARD H. LEVI, Attorney General
of the United States of America,
his agents, servants, employes,
attorneys, successors and all
those persons in active concert
or participation with them,

Defendants.

* *

MOTION FOR SUMMARY JUDGMENT

* *

NOW COME the Plaintiffs, David L. Heilman and E-C Tape Service, Inc., by their attorneys, Lawton & Cates and Bruce F. Ehlke, and move the court to enter judgment in their favor pursuant to Rule 56, Federal Rules of Civil Procedure.

Dated this 12th day of July, 1976.

LAWTON & CATES

By:
Bruce F. Ehlke
110 East Main Street
Madison, WI 53703
Attorneys for Plaintiffs.

IN THE UNITED STATES DISTRICT COURT

FOR THE EASTERN DISTRICT OF WISCONSIN

* *

DAVID L. HEILMAN and
E-C TAPE SERVICE, INC.,
a Wisconsin corporation,

Plaintiffs,

vs.

Case No. 75-C-117

EDWARD H. LEVI, Attorney General
of the United States of America,
his agents, servants, employes,
attorneys, successors and all
those persons in active concert
or participation with them,

Defendants.

* *

AFFIDAVIT IN SUPPORT OF
MOTION FOR SUMMARY JUDGMENT

* *

STATE OF WISCONSIN)
: ss.
MILWAUKEE COUNTY)

DAVID L. HEILMAN, after being first duly sworn, on oath deposes and says as follows:

1. That he is one of the Plaintiffs in the foregoing action and that he resides at 2172 North 45th Street, Milwaukee, Wisconsin.

2. That he was president of the Plaintiff corporation, E-C Tape Service, Inc. at all times material hereto, until April of 1976 when he resigned that position.

3. That the Plaintiff, E-C Tape Service, Inc., is a corporation organized and existing under the laws of the State of Wisconsin and had its corporate headquarters at 3695 North 126th Street, Brookfield, Wisconsin.

4. That E-C Tape Service, Inc. has engaged in the business of producing and marketing original anthologies of musical compositions previously recorded by others. This is accomplished by conceiving a theme and format for an anthology, obtaining records and tapes containing the desired selections, duplicating the desired selections, and finally re-recording them in an original format, sequence and combination. That although the individual selections in a given anthology are all reproduced from records and tapes, previously made by others, the anthologies themselves are new and original presentations of the material. All anthologies so created and produced by Plaintiffs are the subjects of compilation copyrights owned by E-C Tape Service, Inc. pursuant to 17 U.S.C. section 7.

5. That said anthologies are marketed on the basis of the appeal generated by their own themes and formats.

6. That many of the individual selections contained in the anthologies are not otherwise commercially available in any form, and those that are otherwise commercially available are frequently unavailable in the same form--that is, reel-to-reel tape, cassette, 8-track stereo, or record--as the anthologies.

7. That the anthologies created, produced and sold by Plaintiffs, were priced at $5.77 or $6.98 for cassettes and 8-track tapes, and at $4.98 or $5.98 for records.

8. That the anthologies produced by Plaintiffs contain duplications only of selections which were recorded or "fixed" prior to February 15, 1972.

9. That such recordings "fixed" prior to February 15, 1972, are not themselves protected by any copyright.

10. That the underlying musical compositions of such selections are protected by composition copyright subject to the compulsory license provision of 17 U.S.C. section 1(e).

11. That with respect to all selections used by Plaintiffs, Plaintiffs have paid or tendered to the composition copyright holder the two cent royalty as required by 17 U.S.C. section 1(e).

12. That of the composition copyright holders whose compositions have been used in Plaintiffs' anthologies, 27 have accepted said royalty payments while 127 have refused to accept said payments.

13. That affiant's experience in the record industry spans a period of over six years, during which time he has produced records and tapes and marketed records and tapes throughout the United States.

14. That based on affiant's experience in the recording industry, it is common practice for an individual composer to sell his composition to a publishing company. The publishing company in turn attempts to induce a recording company to record the composition. Commonly a recording company will own, as subsidiaries, one or more publishing companies. Thus, frequently, as to a given recording, any rights in the recording itself and the composition copyright are subjects of common ownership.

15. That based on affiant's experience in the recording industry, typical contracts between recording companies and recording artists are seven year contracts. These contracts generally provide that the recording costs--advertising, promotion, studio costs and other production costs--are charged to the recording artist and are collected from royalties payable to the artist. Generally, these contracts provide that if a given record is unsuccessful and the artist's royalties are insufficient to cover the recording costs, those costs are simply carried forward and charged against royalties from subsequent records by that artist. One of the few costs not usually charged to the artist is the cost of pressing the records.

Typically, that cost varies from about thirty-two cents per long play album to about thirty-nine cents per long play album, depending on volume. Typical contracts between recording companies and recording artists are attached hereto as Exhibit A and incorporated herein.

Dated this 12th day of July, 1976.

/s/ DAVID L. HEILMAN

Subscribed and sworn to before
me this 12th day of July, 1976.

/s/ Notary Public, Milwaukee County, WI

My Commission_____

[Exhibit A to Affidavit — not printed.]

UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF WISCONSIN

DAVID L. HEILMAN and
E-C TAPE SERVICE, INC.,

Plaintiffs,

vs.

EDWARD H. LEVI, et al.,

Defendants.

MOTION FOR SUMMARY JUDGMENT

Civil No. 75-C-117

NOW COMES defendant, Edward H. Levi, by William J. Mulligan, United States Attorney for the Eastern District, by William E. Callahan, Jr., Assistant United States Attorney for said District, and, pursuant to Rule 56(b) of the Federal Rules of Civil Procedure, moves this Court for an Order granting summary judgment in his favor on the grounds that there is no genuine issue as to any material fact and he is entitled to judgment as a matter of law.

In support of this motion, said defendant relies on the attached memorandum of law, together with all other matters presently on file with this Court.

Dated at Milwaukee, Wisconsin, this 12 day of July, 1976.

WILLIAM J. MULLIGAN
United States Attorney

By: William E. Callahan

WILLIAM E. CALLAHAN, JR.
Assistant United States Attorney

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF WISCONSIN

DAVID L. HEILMAN and
E-C TAPE SERVICE, INC.,
A Wisconsin Corporation,

Plaintiffs,

-vs-

EDWARD H. LEVI, Attorney General of the United States of America, his agents, servants, employees, attorneys, successors and all those persons in active concert or participation with them,

Defendants.

MOTION FOR PRELIMINARY INJUNCTION

Case No. 75-C-117

NOW COME the Plaintiffs, David L. Heilman and E-C Tape Service, Inc., by their attorneys, LAWTON & CATES and Bruce F. Ehlke, and move the Court to grant a preliminary injunction against prosecution in the Northen District of Illinois, Eastern Division, or any other forum for alleged violations of 17 U.S.C. §§1, 101(e) and 104; and 18 U.S.C. §1341, pending final disposition of the above captioned action which was filed by Plaintiffs on March 7, 1975, in the United States District Court for the Eastern District of Wisconsin asking for a declaratory ruling and injunctive relief against threatened prosecution of Plaintiff for alleged violations of 17 U.S.C. §§101(e) and 104.

LAWTON & CATES

BRUCE F. EHLKE
110 East Main Street
Madison, Wisconsin 53703

Attorney For Plaintiffs

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF WISCONSIN

DAVID L. HEILMAN and
E-C TAPE SERVICE, INC.,
A Wisconsin Corporation,

Plaintiffs,

-vs-

EDWARD H. LEVI, Attorney General of the United States of America, his agents, servants, employees, attorneys, successors and all those persons in active concert or participation with them,

Defendants.

AFFIDAVIT IN SUPPORT OF MOTION FOR PRELIMINARY INJUNCTION

Case No. 75-C-117

STATE OF WISCONSIN)
)ss
COUNTY OF MILWAUKEE)

DAVID L HEILMAN, being first duly sworn, on oath deposes and says as follows:

1. That he is one of the Plaintiffs in the foregoing action and that he resides at 15660 Pomona Road, Brookfield, Wisconsin.

2. That he was president of the Plaintiff corporation, E-C Tape Service, Inc., at all times material hereto, until April of 1976 when he resigned that position.

3. That the Plaintiff, E-C Tape Service, Inc., is a corporation organized and existing under the laws of the State of Wisconsin and had its corporate headquarters at 3695 North 126th Street, Brookfield, Wisconsin.

4. That E-C Tape Service, Inc. has engaged in the business of producing and marketing original anthologies of musical compositions previously recorded by others.

5. That the anthologies produced by Plaintiffs contain duplications only of selections which were recorded or "fixed" prior to February 15, 1972.

6. That prior to entering into said business activity, affiant sought the advice of counsel concerning the legality of said business, namely John Gower of Green Bay, Wisconsin, and the firm of Whyte and Hirschboeck, S.C. of Milwaukee, Wisconsin, and that each of them advised him that if he tendered for payment the statutory compulsory license fee to the copyright proprietor that the re-recording of said music was not in violation of any federal statute.

7. That the underlying musical compositions of selections used in affiant's anthologies are protected by composition copyright subject to the compulsory license provision of 17 USC §1(e).

8. That with respect to all selections used by Plaintiffs, Plaintiffs have paid or tendered to the composition copyright holder the two cents royalty as required by 17 USC §1(e).

9. That of the composition copyright holders whose compositions have been used in Plaintiff's anthologies, 27 have accepted said royalty payments while 127 have refused to accept said payments.

10. That 17 USC was amended by P.L. 92-140, 17 USC 101(e) on October 15, 1971, and became effective on February 15, 1972, and created a limited copyright in sound recordings.

11. That after passage of P.L. 92-140, affiant sought the advice of Whyte and Hirschboeck, S.C, who advised him that sound recordings originally made prior to February 15, 1972, were not afforded copyright protection under federal law and that P.L. 92-140 did not change this and that E-C Tape's activities were still not in violation of any federal law.

12. That the Government Regulations Section, Criminal Division of the United States Department of Justice, was of the same opinion when it published a pamphlet entitled, "Copyright Protection of Sound Recordings", dated April, 1973, and that a copy of the text of said pamphlet and P.L. 92-140 are attached hereto as Exhibit "A" and made a part hereof as if set forth at length.

That within Exhibit "A" it is stated in part as follows:

a) Page 3: "A sound recording is eligible for copyright protection only if the sound recording is fixed and first published with the required statutory copyright notice on or after February 15, 1972. P.L. 92-140, Section 3."

Fixation. "A series of sounds constituting a sound recording is fixed when that complete series is first produced on a final master recording from which copies can be made." 37 C.F.R. 202.15a(b).

b) Page 4: "Effective date. The enactment does not apply retroactively and does not affect in any way rights with respect to sound recordings fixed before February 15, 1972. Thus, P.L. 92-140 does not prohibit the unauthorized copying of sound recordings fixed before February 15, 1972 "

c) Page 9: "First no Federal copyright violation can exist under P.L. 92-140 unless the sound recording copied was fixed and published on or after February 15, 1972. This automatically excludes such albums as 'Golden Hits of the 60's','Frank Sinatra's Greatest Hits' and 'White Christmas' by Bing Crosby, etc., which were obviously fixed and published before February 15, 1972."

d) Page 13: "To receive Federal copyright protection, a sound recording must be finally fixed and published with proper notice of copyright on or after February 15, 1972. Supra, Section c(1). Proof of fixation and publication may be provided by a recording industry representative."

13. That affiant's experience in the recording industry spans a period of over six years, during which time he has produced records and tapes and marketed records and tapes throughout the United States.

14. That based on affiant's experience in the recording industry, it is common practive for an individual composer to sell his composition to a publishing company. The publishing company in turn attempts to induce a recording company to record the composition. Commonly, a recording company will own, as subsidiaries, one or more publishing companies. Thus, frequently, as to a given recording, any rights in the recording itself and the composition copyright are subjects of common ownership.

15. That in the last ten years the major recording companies have gained control of 80% of the major copyrights of musical compositions by purchasing the large publishing houses or exercising control in other ways.

16. That many of the major recording companies intentionally conceal evidence of their control over the publishers.

17. That the above captioned action was commenced on March 7, 1975, for declaratory and injunctive relief enjoining any criminal prosecution for alleged violations of 17 USC §§101(e) and 104.

18. That on February 11, 1977, Assistant U.S. Attorney William E. Callahan, Jr., in response to a question from this Court, indicated that no criminal action would be brought against affiant for alleged violations of 17 USC §1, 101(e) and 104.

19. That an indictment was filed on March 31, 1977, in the Northern District of Illinois, Eastern Division, charging affiant with twenty-six counts in violation of 17 USC §§1, 101(e) and 104; and an additional, related ten counts in violation of 18 USC §1341, and that a copy of this indictment is attached hereto as Exhibit "B" and made a part hereof.

20. That there was a delay of twenty-two and one-half months between May 15, 1975, the date of the alleged offenses and March 31, 1977, the date on which the indictment was returned, which delay was unnecessary and attributable solely to the government.

21. That a result of the delay on the part of the government to prosecute him, affiant has suffered substantial prejudice for the following reasons:

a) That his assets have been depleted during said period of time by civil litigation with the record industry and he no longer has funds with which to defend himself which would have been available to him had the prosecution been brought on without unreasonable delay.

b) That he believes said delay was part of a deliberate, purposeful and oppressive design for delay on the part of the government to hinder him in his defense of this action.

c) That he would have appealed the decision in E-C Tape v. Kelly, (N.D. Ill, 1975) 412 F. Supp. 249, had he known that the government intended to prosecute him criminally in the future.

22. That the following publishers listed in the indictment are owned or controlled by the following record companies:

a) Jobete Music Company is owned or controlled by Motown Records.

b) Warner-Tamberlane Publishing Corp. is owned or controlled by Warner-Electra-Atlantic Records.

c) Chapel Music Co. is owned or controlled by Polygram Records, Inc.

d) Warner Bros., Inc., is owned or controlled by Warner-Electra-Atlantic Records.

e) Viva Music, Inc. is owned or controlled by A & M Records.

f) Jondora Publishing Co. is owned or controlled by Fantasy-Prestige Records.

g) Elvis Presley Co. is owned or controlled by RCA Records.

h) Hill and Range Songs, Inc. is owned or controlled by RCA Records.

23. That at the present time, there is no motion for preliminary injunction pending before this Court.

24. That there is no motion for a preliminary injunction pending before this Court because affiant has relied on the representation of the Office of the United States District Attorney as referred to in Paragraph 18 above, as well as on the government pamphlet entitled "Copyright Protection of Sound Recordings" as referred to in Paragraph 12 above.

25. That affiant faces a possible fine of $25,000 and one year of imprisonment for alleged copyright infringements under 17 USC §104.

26. That affiant faces a possible fine of $1,000 or five years of imprisonment for alleged violations of 18 USC §1341.

27. That as a result of said pending prosecutions, affiant has incurred large expenses for attorneys fees.

28. That as a result of said pending prosecutions, affiant has had to spend much of his time in court and in preparation for litigation.

29. That as a result of said pending prosecutions and possible penalties, affiant and his family have suffered mental anguish.

30. That this Affidavit is in support of a Motion For Preliminary Injunction.

Dated this 20th day of June, 1977.

/s/ David L. Heilman
DAVID L. HEILMAN

Subscribed and sworn to before me
this 20th day of June, 1977.

/s/ Thomas M. Kelly
Notary Public, State of Wisconsin
My Commission is permanent

U. S. Dist. Court East Dist. WI
FILED
JUL 14 1977
at _____ o'clock _____ A
RUTH W. LA FAVE, Clerk

UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF WISCONSIN

DAVID L. HEILMAN and E-C TAPE SERVICE, INC., a Wisconsin corporation,

Plaintiffs,

v.

GRIFFIN B. BELL, Attorney General of the United States of America, his agents, servants, employes, attorneys, successors and all those persons in active concert or participation with them,

Defendants.

DECISION AND ORDER

Civil Action
No. 75-C-117

In this action, plaintiff duplicators seek the following relief: a declaration that 17 U.S.C. §§ 1(e), 101(e), and 104 are inapplicable to duplicators of songs fixed prior to February 15, 1972, who tender the two-cent royalty to the composition copyright holder; a declaration that an interpretation of those statutes which make the plaintiffs criminally liable for duplicating sound recordings of songs fixed prior to February 15, 1972, renders the statutes unconstitutional; and an injunction restraining the defendant U. S. Attorney General, his agents and successors, from seizing the records and tapes of the plaintiffs and from prosecuting the plaintiffs for alleged violations of 17 U.S.C. §§ 101(e) or 104. Jurisdiction is present under 28 U.S.C. §§ 1331 and 2201. The matter is before the court on cross motions for summary judgment. For the reasons which follow, the defendants' motion will be granted and the plaintiffs' motion will be denied.

Both the facts in this matter and the position of the Court on the legal issues raised herein have already been fully detailed in the decision and order of this Court rendered April 28,

1975. At that time, this Court denied plaintiffs' motion for a temporary restraining order and a preliminary injunction and plaintiffs' request for the convening of a three-judge court. See Heilman v. Levi, 391 F.Supp. 1106 (E.D. Wis. 1975). There this court relied on four circuit cases[1] and determined that tape duplicators are not entitled to avail themselves of the compulsory licensing provision of 17 U.S.C. § 1(e) because such duplication does not constitute a "similar use" of the composition and therefore their activities constitute infringement of the composition copyright. The Court also determined that 17 U.S.C. § 101(e), which imposes criminal sanctions pursuant to 17 U.S.C. § 104 as to cases of "willful infringement for profit," embraces tape duplicators who tender the compulsory licensing fee. Furthermore, the Court concluded that the meaning of "unauthorized" as used in § 101(e) is not so uncertain as to render the statute unconstitutionally vague, and that the public notice given the plaintiffs in January of 1975 through the trade press of the prospective operation of the defendants' decision to prosecute tape duplicators did not violate any of plaintiffs' due process rights.

The Court is mindful that the mere fact that a plaintiff's motion for a preliminary injunction is denied does not in itself entitle the defendant to summary judgment. See 6 Part 2 Moore's Federal Practice ¶ 56.17[30] (1976). However, the Court in its earlier decision made an exhaustive study of the development, amendments, and interpretation of the federal copyright statutes involved. An examination of plaintiff Heilman's affidavit and the various exhibits and briefs filed in support of and in opposition to the motions for summary judgment indicate that there has been no change in the facts of this case nor in the applicable law which would warrant a change in the Court's position. In fact, recent developments in the law with regard to cases seeking to enjoin the Attorney General from prosecuting tape duplicators for copying recordings fixed prior to February 15, 1972, have

reinforced the defendants' position. See International Tape Distributors, Ltd. v. Levi, 188 U.S.P.Q. 539 (D. D.C. 1975); Stereo Tape Associates v. Levi, No. G 75-167 (W.D. Mich., May 14, 1976); Stereo Tape Associates v. Levi, No. 5-70687 (E.D. Mich., April 7, 1976); E-C Tape, Inc. v. Kelly, 412 F.Supp. 245 (N.D. Ill. 1975); and Gramuglia v. Levi, No. 75-CV-549 (N.D. N.Y. July 13, 1976).

At the preliminary injunction stage of this litigation, there were no genuine issues of material fact, nor are any such factual disputes presented at this time that would preclude the granting of summary judgment. See Rule 56(c), Fed. R. Civ. P. Then, as now, plaintiffs admitted copying recordings fixed prior to February 15, 1972, without authorization of the composition copyright holder.

The plaintiffs' principal argument at this time is that the decisions of the four circuits previously relied upon--Fame, Jondora, Marks, and Duchess (cited in footnote "1")--are in error, and as they are not binding on this court, plaintiffs urge the Court to re-evaluate its prior position. Plaintiffs argue that they are not tape pirates in the usual sense of the term because they copy only older record selections, many of which are commercially unavailable, and because they offer the records in an anthology form centered around a particular theme. Plaintiffs contend that because they offer the customer something new, and because their customers are interested in the anthology rather than the individual selection, they are not depriving other manufacturers of a portion of their profit on successful records. Even assuming that the customer is more interested in the anthology than in the individual selections, and that in fact other manufacturers are not deprived of profits because the records are commercially unavailable otherwise, plaintiffs have misstated the issue. The issue is not whether the plaintiffs are original or creative in their arrangement of record anthologies, nor whether plaintiffs

directly or indirectly compete with other recording companies. The issue is whether the plaintiffs in the first instance have the right to copy sound recordings fixed prior to February 15, 1972, without the authorization of the composition copyright holder. This Court finds no relevance to the plaintiffs' later arrangement of the duplicated songs. Originality of the anthologized arrangement, that is, of the sequence of the various recordings, does not negate the requirement of first obtaining authorized permission from the copyright holder before duplicating the recording. Whether, once the anthologizer has obtained the requisite permission to copy the various recordings contained in the anthology, he is then entitled to copyright protection as to the original arrangement of the anthology is a separate matter which need not be considered here.

Secondly, plaintiffs have argued that this Court's interpretation of 17 U.S.C. § 1(e), the compulsory licensing section, thwarts the purpose of compulsory licensing by fostering monopoly in the recording industry. The granting of any copyright does create a limited monopoly which is designed to benefit long-term competitive interests. One commentator has remarked:

> "* * * The Constitution's authorization to Congress to grant patent and copyright protection represents a judgment that, although short-range competitive interests would benefit from immediate and free public access to technological and artistic innovation, to permit such access would destroy incentive to innovate; new products and works would not be introduced into the market and consequently the long-range competitive situation would decline. The patent and copyright statutes, each in its own way, strike a balance between these long- and short-range competitive interests. * * *"[2]

Accordingly, the compulsory license provision has been interpreted to permit numerous artistic interpretations of a single written composition, but not to permit the use of a recording of the composition. See Shaab v. Kliendienst, 345 F.Supp. 589, 590 (D.D.C. 1972); Jondora Music Publishing Co., Inc. v. Melody Recordings, Inc., 506 F.2d 393, 395 (3rd Cir. 1974), cert. denied 421 U.S. 1012 (1975).

Along the same lines, the plaintiffs argue that because frequently the large record companies own the publishing houses which have control of the composition copyright, impermissible tying arrangements result akin to those condemned under antitrust laws. Plaintiffs assert that due to an oligopolistic recording industry, the uncopyrighted product--the performance--is tied to the copyrighted product--the composition. This argument is answered in the same way as the prior argument: new renditions of the copyrighted composition are permitted, but mere copies of past performances are prohibited. There is no analogy to impermissible tying. To the extent that the plaintiffs attack the recording and publishing industries as oligopolistic, the proper remedy lies in an action for violations of the antitrust laws.

Thus, the plaintiffs have advanced no arguments or facts which have persuaded this Court to depart from its earlier announced conclusion that as a matter of law plaintiff duplicators may not avail themselves of the compulsory licensing provision of 17 U.S.C. § 1(e) to avoid civil or criminal sanctions under the Copyright Act, and that criminal sanctions imposed pursuant to 17 U.S.C. §§ 101(e) and § 104 embrace tape duplicators who tender the compulsory licensing fee. Plaintiffs admit that they were given public notice in January of 1975 via the trade press of the defendants' decision to prosecute tape duplicators. The defendants' decision to prosecute operated prospectively and was based on the unanimous interpretation of the four circuit courts of appeal which considered the question of the availability of 17 U.S.C. § 1(e) to tape duplicators. The defendants have not violated any of the plaintiffs' constitutional rights.

IT IS THEREFORE ORDERED that defendants' motion for summary judgment be and it hereby is granted.

IT IS FURTHER ORDERED that plaintiffs' motion for summary

judgment be and it hereby is denied.

Dated at Milwaukee, Wisconsin, this 14 day of July, 1977.

Chief U. S. District Judge

FOOTNOTES

1. Fame Publishing Co., Inc. v. Alabama Custom Tape, Inc., 507 F.2d 667 (5th Cir. 1975), cert. denied, 423 U.S. 841 (1975); Jondora Music Publishing Co., Inc. v. Melody Recordings, Inc., 506 F.2d 393 (3rd Cir. 1974), cert. denied, 421 U.S. 1012 (1975); Edward B. Marks Music Corp. v. Colorado Magnetics, Inc., 497 F.2d 285 (10th Cir. 1974), cert. denied, 419 U.S. 1120 (1975); and Duchess Music Corp. v. Stern, 458 F.2d 1305 (9th Cir. 1972), cert. denied, 409 U.S. 847 (1972).

2. Goldstein, "The Competitive Mandate: From Sears to Lear," 59 Calif. L. Rev. 873 (1971).

U. S. Dist. Court East Dist. Wis.
FILED

UNITED STATES DISTRICT COURT JUL 14 1977

EASTERN DISTRICT OF WISCONSIN at _____ o'clock _____ M
RUTH W. LA FAVE, Clerk

DAVID L. HEILMAN and
E-C TAPE SERVICE INC.,
a Wisconsin corporation,

Plaintiffs,

v.

GRIFFIN B. BELL, Attorney General of the United States of America, his agents, servants, employes, attorneys, successors and all those persons in active concert or participation with them,

Defendants.

O R D E R

C.A. No. 75-C-117

Plaintiffs have filed a motion for a preliminary injunction seeking to enjoin prosecution of the plaintiffs in the Northern District of Illinois, Eastern Division, or any other forum for alleged violations of 17 U.S.C. §§ 1, 101(e) and 104, and 18 U.S.C. § 1341, pending final disposition of the above-captioned action, in which plaintiffs sought a declaratory ruling and injunctive relief against threatened prosecution of the plaintiffs for alleged violations of 17 U.S.C. §§ 101(e) and 104.

In view of the granting of defendants' motion for summary judgment and the denial of plaintiffs' motion for summary judgment on July 14, 1977, the plaintiffs' motion for a preliminary injunction is dismissed as moot.

IT IS THEREFORE ORDERED that plaintiffs' motion for a preliminary injunction be and it hereby is dismissed as moot.

Dated at Milwaukee, Wisconsin, this 14 day of July, 1977.

Chief U.S. District Judge

JUDGMENT ON DECISION BY THE COURT — CIV 32 (7-63)

United States District Court

FOR THE

EASTERN DIST. OF WIS.

DAVID L. HEILMAN and E-C TAPE SERVICE, INC., a Wisconsin corporation

vs.

GRIFFIN B. BELL, Attorney General of the United States of America, his agents, servants, employees, attorneys, successors and all those persons in active concert or participation with them

CIVIL ACTION FILE NO. 75-C-117

JUDGMENT

This action came on for ~~trial~~ (hearing) before the Court, Honorable JOHN W. REYNOLDS, United States District Judge, presiding, and the issues having been duly ~~tried~~ (heard) and a decision having been duly rendered, and the court having granted on cross motions for summary judgment defendants' motion for summary judgment

It is Ordered and Adjudged that the plaintiffs take nothing, and that the action be dismissed on the merits.

U.S. DIST. COURT EAST. DIST. WISC.
FILED
JUL 14 1977
at ____ o'clock ____ M
RUTH W. LA FAVE, CLERK

Dated at Milwaukee, Wisconsin, this 14th day of July, 1977.

RUTH W. LA FAVE
Clerk of Court

by: Ira Bayese
Deputy Clerk

In the

United States Court of Appeals

For the Seventh Circuit

No. 77-1968

DAVID L. HEILMAN, and E-C TAPE SERVICE, INC., a Wisconsin Corporation,

Plaintiffs-Appellants,

v.

GRIFFIN B. BELL, Attorney General of the United States of America, his agents, servants, employees, attorneys, successors and all those persons in active concert of participation with them,

Defendants-Appellees.

Appeal from the United States District Court for the Eastern District of Wisconsin.
No. 75-C-117—**John W. Reynolds**, *Chief Judge.*

ARGUED FEBRUARY 21, 1978—DECIDED SEPTEMBER 6, 1978

Before FAIRCHILD, *Chief Judge*, CASTLE, *Senior Circuit Judge*, and SWYGERT, *Circuit Judge*.

CASTLE, *Senior Circuit Judge*. This appeal presents to this court for the first time an issue which has already been decided by four other circuits: whether the compulsory license provision of the Copyright Act of 1909 can be used to prevent tape duplication of musical recordings. The district court followed the result reached by all of the other circuit courts and by several

federal district courts in holding that tape duplicators cannot avoid copyright infringement under the compulsory license provision of the 1909 Act. We affirm.

I.

The facts of this case are not in dispute. Plaintiff David L. Heilman was president of E-C Tape Service, Inc. which sold tape and record "anthologies" consisting of popular music selections originally recorded prior to February 15, 1972. E-C Tape would obtain the original recordings of the desired musical selections, duplicate them onto blank records and tapes, and then sell the duplications as part of a "new" package at prices approximately equal to that of the original recordings.

In 1975 the United States Attorney General announced that he intended to prospectively prosecute such duplicators, or "tape pirates," for willful infringement of the federal copyright laws. 17 U.S.C. §§ 1(e), 101(e), and 104.[1] After receiving this notice, plaintiffs brought this suit seeking a declaratory judgment that these duplications did not violate the copyright laws and an injunction prohibiting any future prosecution. In support of their request, plaintiffs noted that under the 1909 Act, it is settled that only the musical composition, and not the recording thereof, is subject to copyright protection. Further, once the composer authorized the mechanical recording of his composition, the so-called "compulsory license" provision of § 1(e) allowed anyone else to make "similar use" of the copyrighted composition upon giving appropriate notice and paying a royalty of two cents to the composer for each copy of the new recording produced. Although Congress amended the copyright laws in 1971 to provide protection for the recording itself, in this case the plaintiffs were careful to duplicate only those selections originally recorded before the February 15, 1972 effective date of that

[1] A complete revision of the federal copyright laws was enacted October 19, 1976 to become efective January 1, 1978. All citations in this opinion refer to the law prior to January, 1, 1978.

amendment. Consequently, plaintiffs contend that since they gave notice and tendered the royalty payments, they did not infringe upon the composition copyright.

The district court for the Eastern District of Wisconsin denied plaintiffs' request for a temporary restraining order, preliminary injunction and the convening of a three-judge court. 391 F.Supp. 1106. Subsequently, criminal proceedings were filed against plaintiffs in the Northern District of Illinois. On July 14, 1977, the Eastern District of Wisconsin district court granted the government's motion for summary judgment. 434 F.Supp. 564. This appeal followed.

II.

Plaintiffs' main contention is that they have satisfied the compulsory license requirements of § 1(e) and therefore cannot be prosecuted for copyright infringement. As noted above, four circuit courts have addressed the precise issue of whether tape duplicators can avoid copyright infringement by giving notice and paying the two-cent royalty. *Fame Publishing Co., Inc. v. Alabama Custom Tape, Inc.*, 507 F.2d 667 (5th Cir.), *cert. denied*, 423 U.S. 841 (1975); *Jondora Music Publishing Co., Inc. v. Melody Recordings, Inc.*, 506 F.2d 392 (3d Cir. 1974), *cert. denied*, 421 U.S. 1012 (1975); *Edward B. Marks Music Corp. v. Colorado Magnetics, Inc.*, 497 F.2d 285 (10th Cir. 1974) (*en banc*), *cert. denied*, 419 U.S. 1120 (1975); *Duchess Music Corp. v. Stern*, 458 F.2d 1305 (9th Cir.), *cert. denied*, 409 U.S. 847 (1972). In each case, the court held that the compulsory license provision of § 1(e) was not available to tape duplicators. We adhere to the reasoning of those courts.

As noted above, under the compulsory license provision of the 1909 Act, once the composer authorizes the first recording of the copyrighted composition, anyone who satisfies the notice and royalty requirements can make similar use of the composition. The crucial question in this case is whether duplication is a "similar use." The reasoning of the duplicators, as expressed by Professor Nimmer, is that

> the only portion of that which has been duplicated which is protectible under the Copyright Act is the

musical composition itself, which is authorized for use for recording purposes upon payment of the statutory royalties.

NIMMER ON COPYRIGHT, § 108.4621 at 431 (1976). The problem with this view is that it overgeneralizes the scope of the compulsory license entitlement by interpreting "similar use" as the equivalent of all "recording purposes." However, careful emphasis must be placed upon the words "similar use" in order to adequately protect the composer-copyright holder's protected interest. The statutory scheme gives the composer the first opportunity to benefit from his original composition. This includes the right to gain from the initial recording contract, the terms of which will be dependent upon the recorder's costs in making the recording (for example the cost of hiring musicians and artists, and using recording equipment) and upon the profits from selling copies of the recording.

Once the copyright holder has benefitted by making a recording of the composition, he must permit others who pay the statutory royalty to similarly use the composition, i.e., to "make a recording." However, duplicating a recording is not similar to making a recording of the composition. The duplicator does not take the composition as "raw material" and go through the creative and financial steps of producing a recording. *Edward B. Marks Music Corp. v. Colorado Magnetics, Inc., supra* at 288. The only similarity is in the end product which is based upon the composition. There is no similarity in the "use" of the composition.[2] Also, while the difference

[2] Judge Weis of the Third Circuit gave an accurate example of this distinction:

> To put the concept in a different setting—the court reporter, who listens to the sound of a witness's voice, makes notes on a stenotype machine and then types the words on sheets of paper, makes use of the witness's oral statements. A person who simply photocopies the transcript does not make the same or a similar use of the witness's voice sounds.

Jondora Music Publishing Co., Inc., v. Melody Recordings, Inc., supra at 395 n.10.

between making a recording and duplicating a recording (making a recording of a recording) may seem negligible semantically, the impact of the latter upon the copyright interest of the composer is clear. The copyright holder's benefit is substantially reduced by the inevitable lower profits which result from duplicators who can re-record for a fraction of the original cost and thus undersell the authorized recorder. Plaintiffs' argument that the composer-copyright holder's interest is protected by the two-cent royalty payment is unconvincing. Accepting that position would distort the statutory scheme since it would force the composer to forego the full benefit of the presumably more lucrative arrangement with the first recorder. Thus, we find that the plaintiffs' duplication of the original recordings is not a "similar use" within the meaning of § 1(e).[3]

Although plaintiffs and the dissenting opinions in the four prior circuit court cases dispute this interpretation of "similar use," we find their arguments unpersuasive. First, our interpretation effectuates the dual purposes of the compulsory license provision: to encourage creativity by ensuring first recording benefits would accrue to the composers and to avoid a monopoly whereby copyright holders could exclusively and indefinitely control who would record their copyrighted compositions. *Fame Publishing Co., Inc. v. Alabama Custom Tape, Inc., supra* at 670. Our holding continues to avoid complete composer control over who may record since

[3] We take note of the statement of plaintiff Heilman that composers often sell their compositions to publishing companies who are in turn owned by recording companies. (Heilman Affid. ¶14). Thus, a recorder is also the copyright holder in many instances. We do not see why the recorder as successor in interest should enjoy any less rights under a valid copyright than the composer. However, even if the copyright protection of the composition did diminish after assignment, the interest of the composer secured by the copyright law would still be harmed should the authorized recording be duplicated. This follows since the composer would not be able to demand as high a price for selling the composition for recording if the recorder's profits could be diminished by duplication. Therefore, we do not distinguish between the copyright holder as composer or recorder.

anyone who satifies the notice and royalty provisions is free to hire musicians, artists, and equipment and make a recording of a previously recorded composition. However, our holding also protects the composer-copyrightholder who can realize the full benefit of his arrangement with the recorder of the original version.

Second, we recognize that certain congressional reports on the 1971 amendments to the Copyright Act indicate that some members believed there was no action for copyright infringement available against duplicators prior to the creation of a copyright interest in the recording itself. S. Rep. No. 92-72, 92d Cong., 1st Sess. (1971); H.R. Rep. No. 92-487, 92d Cong., 1st Sess. (1971); 1971 U.S. Code Cong. & Admin. News 1567.[4] However, we are not bound by congressional interpretation of a prior existing law. *United States v. Southwestern Cable Co.*, 392 U.S. 157, 170 (1968). This is particularly true given the substantial length of time between the congressional session which produced the 1909 Act and that which produced the amendments of 1971. *Edward B. Marks Music Corp. v. Colorado Magnetics, Inc., supra* at 289. Moreover, Congress must necessarily deal with broad policy questions and, consequently, was free to determine that additional protection was needed to protect the recordings themselves. The fact that the 1971 amendments afforded such protection, however, does not interfere with our holding on the narrow issue as to what constitutes "similar use" with respect to protection of the composition.

[4] Subsequently, according to reports published during consideration of the 1976 amendments to the federal copyright laws, congressional interpretation of the 1909 Act shifted:

> The basic intent of this sentence is to make clear that a person is not entitled to a compulsory license of copyrighted musical works for the purpose of making an unauthorized duplication of a musical sound recording originally developed and produced by another. It is the view of the Committee that such was the original intent of the Congress in enacting the 1909 Copyright Act, and it has been so construed by the 3rd, 5th, 9th, and 10th Circuits . . .

H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. 108; 1976 U.S. Code. & Admin. News 6153.

Third, our holding is supported by the overwhelming weight of judicial authority. In addition to the four circuit court cases noted above, several federal district courts have also concluded that the compulsory license provision of § 1(e) is not available to tape duplicators. *E-C Tapes, Inc. v. Kelly*, 412 F.Supp. 245, 248 (N.D. Ill. 1975); *International Tape Distributors, Ltd. v. Levi*, 188 U.S.P.Q. 539 (D.D.C. 1975). *See also Stereo Tape Associates Inc. v. Levi*, (W.D. Mich. May 14, 1976, Civ. No. 75-167); *Stereo Tape Associates, Inc. v. Levi*, (E.D. Mich. November 7, 1975, Civ. No. 5-70687); *United States v. Bodin*, 375 F.Supp. 1265, 1269 (W.D. Okla. 1974); *Aeolian Co. v. Royal Music Roll Co.*, 196 F. 926, 927 (W.D. N.Y. 1912). Plaintiffs' citation of *Goldstein v. California*, 412 U.S. 546 (1973), is misplaced. In that case, the Supreme Court was concerned with whether the supremacy clause barred states from protecting the recording itself from tape duplicators. In contrast, here we are dealing with the copyright interest of the composer-copyrightholder and not the interest of the recorder alone. Consequently, we agree with earlier courts that *Goldstein* is distinguishable. *Jondora Music Publishing Co., v. Melody Recordings, Inc., supra* at 396 & n.12.

We also find no merit in plaintiffs' argument that they were making a new product by arranging the duplications in an anthology format. According to this argument, plaintiffs would also be free to make a copy of a copyrighted nonrecorded composition, which would not be subject to the § 1(e) proviso, and publish it in a book of sheet music with other compositions provided they could point to a central organizing theme. Such a result is obviously improper under the copyright laws. Nor do we accept plaintiffs' policy argument that they assist the public in obtaining older selections which were unavailable or unavailable in a certain medium. If a market exists for these selections, plaintiffs should be able to negotiate with the copyright holder to duplicate the recordings at a fair price. Therefore, we find that the compulsory license provision of the 1909 Act does not protect the plaintiff duplicators from infringing the copyright in the composition.

III.

In the course of finding the compulsory license provision of § 1(e) to be unavailable to plaintiffs, we have substantially answered the second issue in this case: criminal charges under 17 U.S.C. §§ 101(e) and 104 may be brought against tape duplicators who have attempted to comply with § 1(e). This follows since § 101(e) clearly states that "interchangeable parts" such as tapes and record discs are to be considered copies of the copyrighted composition for purposes of copyright infringement. § 101(e) further provides that the "unauthorized manufacture, use, or sale of such interchangeable parts shall constitute infringement of the copyrighted work." Since there was no express authorization and the § 1(e) compulsory license is unavailable, plaintiffs were "unauthorized" and, consequently, subject to all remedies relating to infringement including criminal penalties under § 104.

Plaintiffs' main argument on this issue is that this conclusion is improper given the changing state of the copyright laws in recent years. Plaintiffs contend that the criminal penalties for infringement of musical composition copyrights were added to § 101(e) with the amendments of 1971 which, as noted above, was a time when Congress felt duplicators could not be infringers if they complied with § 1(e). Accordingly, plaintiffs reason, Congress only intended for the criminal sanctions to reach those who failed to pay the statutory royalties.

This argument was dealt with in depth by the district court in its denial of plaintiffs' motion for a preliminary injunction. Chief Judge Reynolds reasoned that legislative history normally is consulted only when the statute is unclear and, as noted above, such is not the case with § 101(e). 391 F.Supp. at 1112. *See Stern v. United States Gypsum, Inc.*, 547 F.2d 1329, 1335 (7th Cir.), *cert. denied*, 434 U.S. 975 (1977). Also, the district court noted that by amending § 101(e), Congress was merely expanding remedies for infringement and was not concerned in this section with what constituted infringement. 391 F.Supp. at 1113. We find this reasoning persuasive. We also find guidance in § 3 of the Sound

Recording Act of 1971. That section made the 1971 amendment to § 101(e) effective immediately upon enactment while expressly barring retroactive application only to the amended § 1(f) which gave copyright protection to recordings. Thus, while pre-February 15, 1972 recorders could not claim a copyright interest in their recordings, there is nothing in the statute which prohibits the criminal penalties of §§ 101(e) and 104 from being applied to tape duplicators who have infringed upon the composer's copyright.[5]

For the reasons stated above, the judgment of the district court is affirmed.

AFFIRMED.

SWYGERT, Circuit Judge, dissenting. I respectfully dissent. I am essentially in agreement with the views expressed by Judge Gibbons, dissenting in *Jondora Music Publishing Co. v. Melody Recordings, Inc.*, 506 F.2d 392 (3d Cir. 1974), as well as with Judge Godbold's views, dissenting in *Fame Publishing Co. v. Alabama Custom Tape, Inc.*, 507 F.2d 667 (5th Cir. 1975).

A true Copy:

Teste:

Clerk of the United States Court of Appeals for the Seventh Circuit

[5] Of course, §§ 101(e) and 104 require proof that the infringement was willful and for profit. We express no opinion on the ability of the government to prove its case in any criminal prosecution.

Opinion by Judge [illegible]
Judge Swygert Dissenting

United States Court of Appeals

For the Seventh Circuit
Chicago, Illinois 60604

September 6, 1978.

Before

Hon. THOMAS E. FAIRCHILD, CHIEF JUDGE

Hon. LATHAM CASTLE, SENIOR CIRCUIT JUDGE

Hon. LUTHER M. SWYGERT, CIRCUIT JUDGE

DAVID L. HEILMAN and E-C TAPE SERVICE, INC., a Wisconsin corporation,
Plaintiffs-Appellants.

No. 77-1968 vs.

GRIFFIN G. BELL, Attorney General of the United States, his agents, servants, employees, attorneys, successors and all those persons in active concert or participation with them,
Defendants-Appellees.

Appeal from the United States District Court for the Eastern District of Wisconsin.
No. 75-C-117
JOHN W. REYNOLDS, JUDGE.

This cause came on to be heard on the transcript of the record from the United States District Court for the Eastern District of Wisconsin, and was argued by counsel.

On consideration whereof, it is ordered and adjudged by this court that the judgment of the said District Court in this cause appealed from be, and the same is hereby, AFFIRMED, with costs, in accordance with the opinion of this court filed this date.

United States Court of Appeals

For the Seventh Circuit
Chicago, Illinois 60604

October 5, 1978.

Before

Hon. THOMAS E. FAIRCHILD, Chief Judge

Hon. LATHAM CASTLE, Senior Circuit Judge

Hon. LUTHER M. SWYGERT, Circuit Judge

DAVID L. HEILMAN, and E-C TAPE SERVICE INC., a Wisconsin Corporation,
Plaintiffs-Appellants,

No. 77-1968 vs.

GRIFFIN B. BELL, Attorney General of the United States of America, his agents, servants, employees, attorneys, successors and all those persons in active concert or participation with them,
Defendants-Appellees.

Appeal from the United States District Court for the Eastern District of Wisconsin.
No. 75-C-117.
John W. Reynolds, Chief Judge

O R D E R

On consideration of the petition for rehearing and suggestion for rehearing in banc filed in the above-entitled cause by plaintiffs-appellants, no judge in active service has requested a vote thereon, and a majority of judges on the original panel have voted to deny the rehearing. Accordingly,

IT IS ORDERED that the aforesaid petition for rehearing be, and the same is hereby, DENIED.

* Circuit Judge Luther M. Swygert voted to grant the petition for rehearing.